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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000907

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SUBJECT: PM SEES HIS U.S. TRIP AS FIRST STEP TO BETTER
BILATERAL RELATIONSHIP

REF: A. YEREVAN 844

¶B. STATE 111916

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Classified By: Amabassador Marie Yovanovitch. Reason 1.4 (B/D)

SUMMARY

¶1. (C) Prime Minister Tigran Sargsian invited Ambassador to lunch on October 31 to share his satisfaction with his trip to the U.S. and his view that the trip served as a first step to building a better bilateral relationship. He particularly looks forward to improving Armenia's trade with the U.S. and other partners, through GSP and other mechanisms. Sargsian emphasized the importance of resuming funding for the MCC roads projects and that Armenia was committed to moving forward on negotiations with both Azerbaijan and Turkey. END COMMENT.

PLEASED WITH U.S. TRIP: FIRST STEP TO BETTER RELATIONSHIP

¶2. (C) Prime Minister Tigran Sargsian invited Ambassador to lunch on October 31 to review his recent trip to the U.S. He pronounced himself completely happy with the trip to the U.S., repeating many of the observations he had earlier made to visiting Assistant Secretary Dan Fried (Ref A). Sargsian said he believed the trip, and particularly his meeting with Secretary Rice, would set the stage for a new and better relationship, which he felt had been "frozen." He said that he looked forward to follow-up on his meetings at the Department of Commerce and USTR. He was grateful to hear their offers to brief Armenian officials on better GSP utilization and on the operation of U.S. "foreign trade zones," and would soon send a technical team to the U.S to follow-up. Armenia still had much to learn about how to fully benefit from its WTO status and he hoped to learn about other instruments that could stimulate free trade with Armenia's trading partners.

¶3. (C) Sargsian said that the Department of Commerce had raised the Western Union issue and he would soon send the Embassy and Commerce an explanation of what happened. He noted, that Moneygram, another American company was pleased with the situation. The Ambassador said that it would be useful to receive an explanation, because it appeared to the USG that Armenia was violating the Bilateral Investment Treaty. Even if this was not the case, barring American firms from doing business in Armenia would not attract further investment to the country. (NOTE: The Armenian Central Bank revoked Western Union's license to operate in Armenia in October. CBA officials have conceded privately that this was done because Western Union had acceded to the Azerbaijani Central Bank's demand that Western Union cease

business operations in the disputed territory of Nagorno-Karabakh. Emboffs have raised this issue with the CBA Chairman, and the Ambassador will do so again November 14 during her initial courtesy call with the CBA chairman. END NOTE)

STEADY ON N-K AND TURKEY

¶4. (C) The Prime Minister said that he had raised both negotiations on Nagorno-Karabakh and Turkey while in Washington. He noted that public statements by the President of Turkey in referring to the "occupied territories" of Nagorno-Karabakh and by the Azeri Foreign Minister that negotiations would be based on the UNGA resolution were not helpful. "They're doing this to activate the diaspora," said Sargsian, but Armenia would maintain its steady approach to the two sets of negotiations. "We have to look forward, not back, with regard to Turkey and Nagorno-Karabakh," he stated.

Sargsian added that only referring to territorial integrity as the basis for a settlement in Nagorno-Karabkh is "dangerous."

MCC: CRITICAL FOR THE COUNTRY

¶5. (C) Sargsian said that resuming Millenium Challenge Account funding for the roads project was critical for Armenia. He said he had discussed this issue with both Secretary Rice and MCC CEO Danilovich and received generally positive answers. The Ambassador responded that she, too, was hopeful the funding would flow. She noted that MCC was a performance-based program and hoped that the GOAM would take

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action regarding those who have been detained and/or tried in relation to the March 1 events. She noted that a political solution, such as an amnesty, could not only heal the nation and allow politics to move forward, but improve Armenia's international reputation, as well. Sargsian said that the President is interested in addressing the situation. He noted, however, that allowing the detainees to go free would set a bad precedent for the next election and encourage others to behave badly.

¶6. (C) The Ambassador shared with Sargsian the latest Millenium Challenge Account indicators (ref B) - to which he responded jokingly that the Ambassador was trying to "spoil his appetite." He poured over the indicators and said that he was working on a letter to send to Ambassador Danilovich regarding what Armenia has done recently to improve its indicator performance. Sargsian said he is ready to have an open dialogue with the U.S. on internal political issues, including corruption, because Armenia must deal with these issues to move forward. But more importantly, he said, Armenia could not move forward without U.S. help.

IT'S TOUGH BEING THE PRIME MINISTER

¶7. (C) In response to the Ambassador's query regarding how he liked his job and whether he could see any results yet, the Prime Minister waxed on for over an hour. He admitted to much frustration, noting that he gives orders and they are not fulfilled. Over time, Sargsian has come to realize that it's not that people won't do it, it's that they don't know how. For example, very few know how to write a plan that indicates what results are necessary. All the plans call for "deepening, strengthening, and developing," but there are no specific or quantifiable results, because the staff does not really know what they want to accomplish. The most important thing that he can do, he said, is to train people, and he lamented that the best and the brightest of Armenia are

leaving the country.

¶18. (C) Sargsian said his job is to think, because he cannot make something happen if he hasn't thought about it first. That is why he spends a great deal of time reading - not just economics, but sociology, history, psychology. He and President Sargsian exchange books and he said that he had recently shared with the President books by Tom Friedman and Francis Fukoyama. The Prime Minister also recommended to Ambassador a number of his own articles.

COMMENT

¶19. (C) As plate after plate of food was served, the Prime Minister was clearly buoyed by his trip to the U.S., which he views as a serious step forward in the bilateral relationship. Sargsian did not press any particular point (with the one exception of resuming the funding for MCC roads), but rather sought to build on the momentum of his trip.

YOVANOVITCH